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TAGS: [ECON](#) [KTFN](#) [ETTC](#) [PTER](#) [UN](#) [UK](#)
SUBJECT: UK SUPREME COURT DENIES STAY OF DECISION TO QUASH
PART OF TERRORIST FINANCE REGIME; HMG ASKS BANKS TO
MAINTAIN FREEZE

REF: A. LONDON 221
[1](#)B. LONDON 161

Classified By: KATHLEEN DOHERTY, ECONOMIC COUNSELOR, FOR REASONS 1.4 B&
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[1](#)1. (C/NF) Summary: The British Supreme Court on February 4 denied a request from HM Treasury to stay the court's January 27 decision to quash part of the UK's terrorist finance regime. Most UK banks have agreed to HMT requests to maintain a freeze until temporary fast-track legislation is in place; possibly by the week of February 8. In the worse case scenario, this action could affect the assets of only 13 "home-grown" Islamic extremists, none with Al-Qaeda links or listed by the U.S., we were told, which fall well under GBP 50,000. End summary.

[1](#)2. (C/NF) The Supreme Court denial of HMG's request to stay last month's decision against part of the UK's domestic asset freezing regime has created a fluid situation. HMT has drafted temporary fast-track legislation to be voted upon by Parliament, possibly as early as the week of February 8. The lack of parliamentary approval for a regime that froze people's assets was the key argument in the justices' decision against the regime (Ref A and B). HMT officials are seized at the highest levels, they tell us, and Chancellor Darling and several ministers are leading strategy and lobbying efforts with opposition party members. HMT officials expect broad political support for maintaining an asset-freezing regime. Technical questions regarding sunset clauses (future reviews of the continued need for the regime) and other issues remain unresolved, and HMG has not yet received full support for the temporary bill from opposition parties.

[1](#)3. (C/NF) The temporary legislation, if approved, would essentially be a parliamentary-vetted version of the current regime, and would remain in place until the end of this year. By that time HMT hopes to have a new, "fuller" regime in place, which would go through Parliament's normal scrutiny. The temporary legislation would also be retroactive. Importantly, it would cover the gap period between today's court decision and the date when the bill is approved, protecting UK banks which agree to HMT's pleas to not unfreeze the designees' assets.

[1](#)4. (C/NF) If HMT's plan does not work, at most thirteen individuals' assets (out of approximately 147) could be unblocked, HMT officials told us. These are domestic, AQ-inspired Islamic extremists, but do not have any known links to AQ. HMT officials tell us none of them appear on U.S. asset freeze lists. Most of the people named under the UK's various asset freezing regimes are already covered through the EU's autonomous listings or the EU's implementation of UN 1267 listings.

Comment

15. (C/NF) The situation is still in flux. HMT officials warned us their game-plan could change quickly depending on how discussions go with the opposition or if the court decides to intervene. We are concerned whether the court will allow the banks to maintain an asset freeze in this interim period before temporary legislation is in place, or will it issue a contempt order to the banks and force them to release the funds. The USG would do best to keep a low public profile at this time so as to avoid becoming part of the political debate HMG officials will let us know if our private intervention with the opposition could help. We agree with HMG analysis that in this political run up to spring elections, no political party wishes to be seen as soft on terrorism.

The full HMT Financial Sanctions Notice can be found at:
http://www.hm-treasury.gov.uk/fin_sanctions_2010.htm

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